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January 23, 2006

HAND DELIVERED

Beth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Mark R. Overstreet
(502) 209-1219
(502) 223-4387 FAX
moverstreet@stites.com

RECEIVED

JAN 23 2006

PUBLIC SERVICE
COMMISSION

RE: P.S.C. Case No. 2006-0006

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and six copies of the Kentucky Power Company's Responses to the Commission's January 13, 2006 Data Request. I also enclose Kentucky Power's motion for confidential treatment of the customer specific information contained in the responses to Request Nos. 6, 7, 8 and 9.

Please do not hesitate to contact me if you have any questions.

Sincerely yours,

STITES & HARBISON, PLLC

Mark R. Overstreet

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JAN 23 2006

In the Matter of:

PUBLIC SERVICE
COMMISSION

FILING OF UTILITY DEPOSIT)
AGREEMENT BETWEEN KENTUCKY)
POWER COMPANY AND KES) P.S.C. Case No. 2006-0006
ACQUISITION COMPANY LLC AS)
A SPECIAL CONTRACT AND)
REQUEST FOR DEVIATION)
FROM RULES)

Petition for Confidential Treatment

Kentucky Power Company ("Kentucky Power") moves the Commission pursuant to 807 KAR 5:001, Section 7, for an Order granting confidential treatment to Kentucky Power's responses to Staff Information Requests 6, 7, 8 and 9.

Pursuant to 807 KAR 5:001 an original of the responses for which confidential treatment is sought is filed as part of Kentucky Power's original filing in response to this data request. In addition, ten redacted copies of the subject Response are filed with Petition.

The Requests and Background.

The subject information requests call for the provision of information about the usage and payment record of KES Acquisition Company, LLC. Kentucky Power believes that such information is commercially sensitive and Kentucky Power does not make such information public.

Kentucky Power does not object to providing the information to the Commission, subject to an order according it confidential treatment.

Basis for Confidential Treatment

KRS 61.878(c)(1)(b) excludes from the Open Records Act:

"Records confidentially disclosed to an agency, generally recognized as confidential or proprietary, which if openly disclosed would present an unfair commercial advantage to competitors of the entity that disclosed the records, and which are compiled and maintained . . . in conjunction with the regulation of commercial enterprise . . ."

This exception applies to Kentucky Power's responses to Staff Information Requests 6, 7, 8 and 9.

The Information Is Generally Recognized As Confidential and Proprietary.

The records to be filed with the Commission are "generally recognized as confidential or proprietary." Electric usage and customer payment records are not made publicly available by Kentucky Power. Dissemination of the requested information is restricted by American Electric Power and Kentucky Power and the companies take all reasonable measures to prevent its disclosure to the public as well as persons within the companies who do not have a need for the information.

Disclosure Of The Information Will Result In An Unfair Commercial Advantage.

Disclosure of the confidential information may result in unfair commercial advantage to KES Acquisition Company, LLC's competitors by providing information concerning its operations and efficiency and costs.

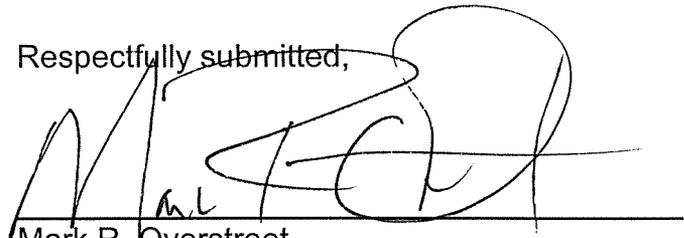
The Information Is Compiled And Maintained In Conjunction With The Commission's Regulation of Kentucky Power.

Finally, the records requested in Information Requests 6, 7, 8 and 9 are compiled and maintained "in conjunction with the regulation of a commercial enterprise."

Wherefore, Kentucky Power Company respectfully requests the Commission to enter an Order:

1. According confidential status to and withholding from public inspection Kentucky Power's responses to Staff Data Requests 6, 7, 8 and 9; and
2. Granting Kentucky Power all further relief to which it may be entitled.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark R. Overstreet', written over a horizontal line.

Mark R. Overstreet
STITES & HARBISON PLLC
421 West Main Street
P. O. Box 634
Frankfort, Kentucky 40602-0634
Telephone: (502) 223-3477

COUNSEL FOR KENTUCKY POWER
COMPANY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing (along with redacted copies of the information for which confidential treatment is sought) was served as indicated, upon the following on this 23rd day of January, 2006.

KES Acquisition Company LLC
U.S. Route 60
Ashland, Kentucky 41102

A handwritten signature in black ink, appearing to read 'MR Overstreet', written above a horizontal line.

Mark R. Overstreet

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

RECEIVED

JAN 23 2006

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

**FILING OF UTILITY DEPOSIT AGREEMENT)
BETWEEN KENTUCKY POWER COMPANY)
AND KES ACQUISITION COMPANY LLC AS A) CASE NO. 2006-00006
SPECIAL CONTRACT AND REQUEST FOR)
DEVIATION FROM RULES)**

**KENTUCKY POWER COMPANY
RESPONSES TO COMMISSION STAFF'S
INITIAL SET OF DATA REQUEST**

January 23, 2006

Kentucky Power Company

REQUEST

State the reasons for Kentucky Power's belief that the Utility Deposit Agreement is necessary.

RESPONSE

The prior operator of the facility filed for bankruptcy protection in February 2003. As a result, the Company was forced to write-off approximately \$300,000 in outstanding accounts receivable. KES Acquisitions began operating the facility in late Summer, 2003 and Kentucky Power initially required a deposit of \$150,000. This amount was based upon KES Acquisitions' anticipated usage during start-up operations and was equal to 2/12 of that amount. The deposit was collected August, 2003.

Since Kentucky Power collected the initial deposit KES Acquisitions increased its operations and electric consumption and the \$150,000 is no longer equal to 2/12 of the KES Acquisitions' annual bill. Kentucky Power believes the Utility Deposit Agreement (which reduces the amount of the deposit the Company is allowed to retain in return for an altered billing procedure) is necessary to protect the Company while minimizing the effect on KES Acquisitions' cash flow.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST

Explain whether KES currently has a deposit securing its account with Kentucky Power.

- a. If KES currently has a deposit with Kentucky Power, provide the amount and date of the deposit.
- b. If KES does not have a deposit with Kentucky Power, explain the reason in detail.

RESPONSE

- a. A cash deposit totaling \$150,000 is currently held for the KES Acquisition LLC electric account. The deposit was initially established on the electric account, August 29, 2003.
- b. N/A

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

As applicable, provide the names and addresses of the owners of the facilities that are now operated by KES ("Facilities").

RESPONSE

KES Acquisitions Company LLC
US Route 60
Ashland, KY 41102

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Explain whether electric consumption is expected to increase or decrease under current KES ownership of the Facilities and your reasons for such belief.

RESPONSE

Although KES Acquisitions has inquired about the feasibility of operating a second arc furnace at the facility, Kentucky Power is without knowledge of KES Acquisitions' plans. The Utility Deposit Agreement results from a significant increase in KES Acquisitions' consumption since the initial deposit and not projected changes in operations.

WITNESS: Errol K. Wagner

Kentucky Power Company

REQUEST

Provide the deposit amount required of the former owner of the Facilities and state the amount of the deposit, if any that was forfeited.

RESPONSE

Prior to bankruptcy filing in February 2003, Kentucky Electric Steel Inc. operated the facility with two electric accounts. No security deposit was reserved on either Kentucky Electric Steel Inc. electric account prior to bankruptcy. Following the bankruptcy filing, Kentucky Electric Steel Inc. continued reduced operation utilizing one electric account with a \$50,200 security deposit. This deposit, collected from Kentucky Electric Steel, Inc. during post bankruptcy operation, was refunded September 2003, following transfer to KES Acquisition LLC .

At the time Kentucky Electric Steel filed bankruptcy in February 2003, unpaid electric service bills included in the bankruptcy totaled \$294,987.57. The bankruptcy was completed in November 2003 and Kentucky Power Company did not recover any of the money due. The full amount was subsequently charged off as a loss.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Provide a record of the prior 12 months' payment history of the prior owner and any current/successor owner of the Facilities. Identify by date and amount any payment that was late or delinquent and when such payment was made.

RESPONSE

Please see the attached 12-month payment history. As the payment history indicates, there were no late payments during this 12-month billing period.

CONFIDENTIAL

WITNESS: Errol K Wagner

CONFIDENTIAL

KES ACQUISITIONS COMPANY LLC				09/02/03 C01-190-577-1		
US ROUTE 60		ASHLAND		221 372 CIP TRANS LC& 21		
LINE NO	BIL DT	MTR AMT	BB CD	NMTR AMT	TOT DUE AT BILL TIME	ACCT BAL AT BILL TIME
1	12/30					
2	11/29					
3	10/26					
4	09/27					
	08/26					
	07/28					
7	06/28					
8	05/31					
9	04/29					
10	03/30					
11	03/01					
12	01/28					
13	12/29					
14	11/29					
LINE NO						

SELECT BILL REV MO

Kentucky Power Company

REQUEST

Provide the monthly kWh usage and monthly billing amount for KES, or its predecessor, for the most recent 12-month period available.

RESPONSE

Please see the attached billing history report for the 12 month period January through December 2005.

CONFIDENTIAL

WITNESS: Errol K Wagner

Kentucky Power Company

CONFIDENTIAL

REQUEST

Explain how Kentucky Power determined that \$150,000 is the proper deposit amount required to protect its interest. Provide all supporting calculations and workpapers necessary to arrive at the \$150,000 deposit requirement.

RESPONSE

A \$150,000 security deposit was collected upon the initial re-start of this Plant under new ownership. The deposit was based on 2/12th estimated annual customer revenue under Kentucky Power Company's Tariff QP - Transmission service, peak demand [REDACTED] and average monthly energy of approximately [REDACTED]. Calculation includes:

\$1,353 Customer Charge
[REDACTED] On-peak Demand ([REDACTED] x \$7.88 per kW)
[REDACTED] Energy Charge ([REDACTED] x \$0.0121 per kWh)
[REDACTED] Estimated Surcharge & Taxes
[REDACTED] Estimated Monthly Electric Charge
\$150,000 Security Deposit (2 X Estimated Monthly Electric Charge)

WITNESS: Errol K Wagner

CONFIDENTIAL

KPSC Case No. 2006-00006
Commission Staff Initial Set of Data Request
Order Dated January 13, 2006
Item No. 9
Page 1 of 1

Kentucky Power Company

REQUEST

Provide the amount of the deposit required if calculated at 2/12ths and 3/12ths for the customer's actual or estimated bill. Provide all calculations performed to arrive at the deposit amount.

RESPONSE

Using the Customer's actual billing history (see attachment to Item No. 7), the annual electric charge is [REDACTED], or approximately [REDACTED] per month.

2/12ths Security Deposit would be [REDACTED] / 12 = [REDACTED] * 2)

3/12ths Security Deposit would be \$ [REDACTED] / 12 = [REDACTED] * 3)

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Explain whether Kentucky Power routinely requires special deposit arrangements for its industrial customers, or if the proposed deposit arrangement with KES is unusual or unique.

RESPONSE

Kentucky Power attempts to work with its customers. The special billing arrangement and reduced deposit was agreed to by Kentucky Power in an effort to protect the Company from financial loss while avoiding the effects on the customer that requiring a full (2/12) deposit would cause. KES Acquisitions informed Kentucky Power that requiring the full deposit to be paid could force the closing of the facility and loss of employment by 200 workers.

This is the first special billing arrangement that Kentucky Power has entered into with an industrial customer.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Identify all bankruptcy and other legal proceedings that reflect on the credit worthiness under the current and former ownership for KES Facilities.

RESPONSE

There have been no bankruptcy filings with current owner KES Acquisitions LLC, which was organized on July 8, 2003. The former plant owner, Kentucky Electric Steel Inc., filed for bankruptcy protection in February 2003. Kentucky Electric Steel's bankruptcy filing in February 2003 resulted in \$294,987.57 being charged off as a loss.

WITNESS: Errol K Wagner

Kentucky Power Company

REQUEST

Will Kentucky Power pay interest on this deposit?

- a. If yes, explain why there are no provisions in the proposed deposit arrangement for the payment of interest on the deposit.
- b. Explain how interest will be accrued and paid on this deposit.

RESPONSE

- (a) Kentucky Power has been and will continue to pay interest on the \$150,000 cash deposit being held for KES Acquisitions LLC. Because the payment agreement does not require an additional deposit, there is no provision for paying interest in addition to that already being paid.
- (b) As with all deposits, Kentucky Power will accrue interest annually and pay it each January by crediting the customer's bill.

WITNESS: Errol K Wagner